

**Ovid Public Library
Clinton County, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

Ovid Public Library
Clinton County, Michigan
BOARD OF TRUSTEES
June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ovid Public Library
Ovid, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ovid Public Library as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ovid Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ovid Public Library as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 28, 2008

Ovid Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

The discussion and analysis of the Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Library's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$492,183 (net assets) at the government-wide level.
- The Library's total net assets increased by \$21,566 at the government-wide level.
- Total governmental fund balances increased by \$33,389 in the current year at the fund level.
- The Library's materials collection is constantly being updated with current titles.
- The Library's operating millage remained at 0.75 mills.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Ovid Public Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Ovid Public Library in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

The Library as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2008 and 2007.

	June 30,	
	2007	2008
Assets		
Current assets	\$ 128,958	\$ 160,769
Capital assets, net	<u>344,028</u>	<u>332,205</u>
Total assets	472,986	492,974
Liabilities		
Current liabilities	<u>2,369</u>	<u>791</u>
Net Assets		
Invested in capital assets	344,028	332,205
Unrestricted	<u>126,589</u>	<u>159,978</u>
Total net assets	<u>\$ 470,617</u>	<u>\$ 492,183</u>

Ovid Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

The Library's total net assets were \$492,183 at June 30, 2008. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$159,978 at the end of the fiscal year - an increase of \$21,566 from the prior year. The net assets invested in capital assets were at \$332,205, which was a decrease of \$11,823 from the prior year.

The following table shows the changes in net assets during the years ended June 30, 2008 and 2007.

	June 30,	
	2007	2008
Revenues		
Program revenue:		
Charges for services	\$ 2,310	\$ 2,271
Operating grants and contributions	2,000	12,329
General revenue:		
Property taxes	91,739	98,924
State Aid - unrestricted	2,410	4,362
Penal Fines	38,777	36,108
Interest	2,962	1,691
Miscellaneous	2,143	4,183
Total revenues	146,341	159,868
Program Expenses		
Library services/operations	138,114	138,302
Change in Net Assets	\$ 4,227	\$ 21,566

Governmental Activities

The Library's governmental revenues totaled \$159,868 with the greatest revenue source being property taxes. Property taxes make up approximately 61 percent of total governmental revenue. Property taxes increased approximately 7 percent from the prior year. County penal fine income decreased slightly since last year.

The Library incurred expenses of \$138,302 during the year. The majority of governmental expense is associated with the staffing of the Library, which provides all library services.

The Library's Funds

The analysis of the Library's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Ovid Public Library as a whole. The Ovid Public Library's Board of Directors creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Library's major funds for the fiscal year ended June 30, 2008 include the General Fund and the Building Fund.

The General Fund pays for most of the Library's governmental services. The most significant service provided during the fiscal year was library staffing, which incurred expenditures of approximately \$66,194 for the fiscal year. There was an increase in salaries and wages of only \$163 over the prior year. Total General Fund expenditures increased only \$188 over the prior year.

Ovid Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

General Fund Budgetary Highlights

Over the course of the fiscal year, the Library Board did not make any budget amendments. The General Fund spent less than appropriated in total and therefore there was an overall favorable variance for expenditures of approximately \$13,421 from the budget. Of that variance, \$5,306 was due to spending less than anticipated on salaries and wages.

Capital Asset and Debt Administration

At the end of the fiscal year, the Library had \$632,723 invested in a broad range of capital assets, including buildings, land, and materials. In addition, the Library has made certain investments in building updates from past years with the issuance of Library Facility Bonds (Bonds) from 1995. The Bonds were paid in full in 2005.

Next Year's Millage Rate

At its regular meeting on June 25, 2008, the Library Board approved certifying a tax levy of .7500 mills (including the County Treasurer's necessary correction) for the fiscal year 2008-2009. This will generate approximately \$92,000. The Library Board adopted an operating budget for the 2008-2009 fiscal year anticipating total revenues of \$139,000 and expenditures of the same amount.

Library Cooperative

Effective June 1, 2007, the Library belongs to the White Pine Library Cooperative. The Library formerly belonged to the Capital Library Cooperative, which is no longer in existence. Cooperative membership is significant to the Library as it is necessary to continue to receive State Aid.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons, and investors with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Secretary or Treasurer of the Ovid Public Library Board of Directors.

BASIC FINANCIAL STATEMENTS

Ovid Public Library

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 128,745
Due from other governmental units	<u>32,024</u>
Total current assets	160,769
Noncurrent assets	
Capital assets not being depreciated	5,000
Capital assets net of accumulated depreciation	<u>327,205</u>
Total noncurrent assets	<u>332,205</u>
TOTAL ASSETS	492,974
LIABILITIES	
Current liabilities	
Accounts payable	<u>791</u>
NET ASSETS	
Invested in capital assets	332,205
Unrestricted	<u>159,978</u>
TOTAL NET ASSETS	<u><u>\$ 492,183</u></u>

See accompanying notes to financial statements.

Ovid Public Library

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Recreational and cultural	\$ 138,302	\$ 2,271	\$ 12,329	\$ (123,702)
General revenues:				
				98,924
				4,362
				36,108
				1,691
				4,183
				145,268
				21,566
				470,617
				\$ 492,183

See accompanying notes to financial statements.

Ovid Public Library

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	General	Special Revenue Building Fund	Total Governmental Funds
ASSETS			
Cash	\$ 103,503	\$ 25,242	\$ 128,745
Due from other governmental units	32,024	-	32,024
Due from other funds	-	10,008	10,008
TOTAL ASSETS	\$ 135,527	\$ 35,250	\$ 170,777
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 791	\$ -	\$ 791
Due to other funds	10,008	-	10,008
TOTAL LIABILITIES	10,799	-0-	10,799
FUND BALANCES			
Unreserved			
Designated for:			
Operations and maintenance	10,500	-	10,500
Undesignated, reported in:			
General fund	114,228		114,228
Special revenue fund	-	35,250	35,250
TOTAL FUND BALANCES	124,728	35,250	159,978
TOTAL LIABILITIES AND FUND BALANCES	\$ 135,527	\$ 35,250	\$ 170,777

See accompanying notes to financial statements.

Ovid Public Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds \$ 159,978

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 637,723	
Accumulated depreciation is	<u>(305,518)</u>	
Capital assets, net		<u>332,205</u>
Net assets of governmental activities		<u><u>\$ 492,183</u></u>

See accompanying notes to financial statements.

Ovid Public Library

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	General	Special Revenue Building Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 98,924	\$ -	\$ 98,924
Intergovernmental	4,362	1,000	5,362
Fines and forfeits	36,108	-	36,108
Charges for services	2,271	-	2,271
Interest	1,527	164	1,691
Other	4,183	11,329	15,512
TOTAL REVENUES	147,375	12,493	159,868
EXPENDITURES			
Current			
Recreation and cultural			
Salaries and wages	66,194	-	66,194
Payroll taxes	5,483	-	5,483
Utilities	9,182	-	9,182
Supplies	12,065	900	12,965
Repairs and maintenance	9,133	-	9,133
Insurance	1,956	-	1,956
VERSO	3,332	-	3,332
Contracted services	1,400	-	1,400
State aid	1,195	-	1,195
Miscellaneous	2,680	-	2,680
Total recreation and cultural	112,620	900	113,520
Capital outlay			
Materials	11,558	-	11,558
Equipment	1,401	-	1,401
Total capital outlay	12,959	-0-	12,959
TOTAL EXPENDITURES	125,579	900	126,479
NET CHANGE IN FUND BALANCE	21,796	11,593	33,389
Fund balances, beginning of year	102,932	23,657	126,589
Fund balances, end of year	\$ 124,728	\$ 35,250	\$ 159,978

See accompanying notes to financial statements.

Ovid Public Library

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds **\$ 33,389**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 11,558	
Depreciation expense	<u>(23,381)</u>	
Excess of depreciation expense over capital outlay		<u>(11,823)</u>

Change in net assets of governmental activities **\$ 21,566**

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under Public Act 24 of 1989, the Village of Ovid and the Townships of Ovid and Middlebury created the Ovid Public Library which is considered a District Library. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The Townships collect and distribute property taxes that are levied by the Library. The Library has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the by-laws of the Library.

The governing body of the Library is a board which is comprised of six (6) members; two (2) appointed by the Village of Ovid, two (2) appointed by the Township of Ovid, and two (2) appointed by the Township of Middlebury for a term of four (4) years.

The Ovid Public Library's goal is to provide quality library service to Ovid area residents by improving library service, encouraging educational advancement and personal welfare of Library personnel, and supporting the bill of rights as stated by the American Library Association.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Ovid Public Library (primary government). The Library has no activities that would be classified as component units.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Library as a whole.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Library's individual major funds and they are reported as separate columns in the fund financial statements.

The major funds of the Library are:

- a. General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, penal fines, state aid, and other sources.
- b. Building Fund - The Building Fund is a Special Revenue Fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes (i.e., building expenditures and debt service payments) by administrative action or bond resolution.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The length of time used to define "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

5. Budgets and Budgetary Accounting

Budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with U.S. generally accepted accounting principles and the basis used to reflect actual results. The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted at the total expenditure level; however, it is maintained at the account level for control purposes.
- d. Budgeted amounts are reported as originally adopted or amended by the Library Board during the year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash

Cash consists of money market checking and savings accounts.

7. Due from Other Governmental Units

Due from other governmental units consist of penal fines and property taxes due from other governments.

8. Property Taxes

The municipalities within the Library's jurisdictional territory levy and collect property taxes for the Library. As the Library tax is collected it is remitted by the township Treasurers. At March 1 each year the townships settle their delinquent taxes with the respective County Treasurers' and the unpaid real property tax is remitted to the Library by the County Treasurer in Clinton County and by the Township Treasurer in Shiawassee County. Delinquent personal property taxes are retained by the township Treasurers for subsequent collection. The Library is permitted to levy up to \$4 per \$1,000 of assessed valuation on property within the District, the portion of which is authorized above \$2 per \$1,000 may be levied for a period not to exceed 20 years. For the year ended June 30, 2008, the Library levied 0.75 mills.

9. Capital Assets

Capital assets include land, buildings and improvements, equipment and furniture, and books and are recorded (net of accumulated depreciation, if applicable) in the Government-wide financial statements. All assets with a useful life exceeding three (3) years and with a cost of \$1,500 or more are recorded as capital assets. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the Government-wide financial statements. Purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Equipment and furniture	3 - 20 years
Books and other collections	5 years

10. Comparative Data

Comparative data for the prior year has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Ovid Public Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2008, the carrying amount of the Library's deposits was \$128,745 and the bank balance was \$132,892.

Deposits of the Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Library. As of June 30, 2008, the Library accounts were insured by the FDIC for \$100,000 and the amount of \$32,892 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Library held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2008, the Library did not have any investments that would be subject to rating.

Interest rate risk

The Library has adopted a policy that indicates the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing the portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking in to account the investment risk constraints and the cash flow characteristics of the portfolio.

Ovid Public Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH - CONTINUEDConcentration of credit risk

The Library has adopted a policy that indicates the Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Library has adopted a policy that indicates the Library will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty the Library will not be able to recover the value of its investments that are in possession of an outside party.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2008, are as follows:

Due to Building Fund from:	
General Fund	\$ <u>10,008</u>

Amounts appearing as interfund receivables and payables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated				
Buildings and improvements	375,787	-	-	375,787
Equipment and furniture	115,956	-	-	115,956
Books and other collections	<u>129,422</u>	<u>11,558</u>	<u>-</u>	<u>140,980</u>
Subtotal	621,165	11,558	-0-	632,723
Less accumulated depreciation for:				
Buildings and improvements	(117,825)	(9,408)	-	(127,233)
Equipment and furniture	(70,658)	(4,805)	-	(75,463)
Books and other collections	<u>(93,654)</u>	<u>(9,168)</u>	<u>-</u>	<u>(102,822)</u>
Subtotal	<u>(282,137)</u>	<u>(23,381)</u>	<u>-0-</u>	<u>(305,518)</u>
Net capital assets being depreciated	<u>339,028</u>	<u>(11,823)</u>	<u>-0-</u>	<u>327,205</u>
Capital assets, net	<u>\$ 344,028</u>	<u>\$ (11,823)</u>	<u>\$ -0-</u>	<u>\$ 332,205</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E: RISK MANAGEMENT

The Library is exposed to various risks of loss for liability, property, employee dishonesty, workers' compensation, and employer's liability for which the Library carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Ovid Public Library

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 92,000	\$ 92,000	\$ 98,924	\$ 6,924
Intergovernmental - State	4,500	4,500	4,362	(138)
Library fees	2,500	2,500	2,271	(229)
Interest	2,500	2,500	1,527	(973)
Penal fines	36,500	36,500	36,108	(392)
Other	1,000	1,000	4,183	3,183
TOTAL REVENUES	139,000	139,000	147,375	8,375
EXPENDITURES				
Current				
Recreation and cultural				
Salaries and wages	71,500	71,500	66,194	5,306
Payroll taxes	5,500	5,500	5,483	17
Utilities	10,500	10,500	9,182	1,318
Supplies	13,000	13,000	12,065	935
Repairs and maintenance	7,200	7,200	9,133	(1,933)
Insurance	3,100	3,100	1,956	1,144
VERSO	3,000	3,000	3,332	(332)
Contracted services	1,400	1,400	1,400	-0-
Travel and workshops	2,500	2,500	-	2,500
State aid	2,500	2,500	1,195	1,305
Miscellaneous	800	800	2,680	(1,880)
Total recreation and cultural	121,000	121,000	112,620	8,380
Capital outlay				
Materials	15,000	15,000	11,558	3,442
Equipment	3,000	3,000	1,401	1,599
Total capital outlay	18,000	18,000	12,959	5,041
TOTAL EXPENDITURES	139,000	139,000	125,579	13,421
NET CHANGE IN FUND BALANCE	-0-	-0-	21,796	21,796
Fund balance, beginning of year	102,932	102,932	102,932	-0-
Fund balance, end of year	<u>\$ 102,932</u>	<u>\$ 102,932</u>	<u>\$ 124,728</u>	<u>\$ 21,796</u>

Ovid Public Library

Building Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental - Local	\$ -	\$ -	\$ 1,000	\$ 1,000
Interest	300	300	164	(136)
Other				
Donations	<u>2,000</u>	<u>2,000</u>	<u>11,329</u>	<u>9,329</u>
TOTAL REVENUES	2,300	2,300	12,493	10,193
EXPENDITURES				
Current				
Recreation and cultural				
Supplies	<u>2,300</u>	<u>2,300</u>	<u>900</u>	<u>1,400</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	11,593	11,593
Fund balance, beginning of year	<u>23,657</u>	<u>23,657</u>	<u>23,657</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 23,657</u>	<u>\$ 23,657</u>	<u>\$ 35,250</u>	<u>\$ 11,593</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS

To the Board of Trustees
Ovid Public Library
Ovid, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ovid Public Library, as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

07-01 PREPARATION OF FINANCIAL STATEMENTS

Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. Throughout the year the Library prepares monthly financial reporting at the fund level. The annual audited financial statements for the year ended June 30, 2008 for the Library required few audit adjustments.

The staff at the Ovid Public Library understands substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process. This issue was noted and reported in our comments last year.

07-01 PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

08-01 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of accrual accounting were proposed by the auditors. These misstatements were not detected by the Library's internal control over financial reporting. These entries included audit adjustments to adjust the cash basis records to modified accrual basis in accordance with generally accepted accounting principles. A similar issue was noted and reported in our comments last year.

Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

We recommend that the Library take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 08-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters.

This report is intended solely for the information and use of management, the Board of Trustees of Ovid Public Library, others within the Library, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 28, 2008